

CIVIL WORKS PROGRAM  
DEVELOPMENT AND EXECUTION COURSE  
LESSON NUMBER 5

3. CIVIL WORKS PROGRAM DEVELOPMENT

TOPIC:

- a. Program Development Concepts and Guidance
  - (1) The Federal Budget
  - (2) Economic Assumptions and Cost Estimates
  - (3) Discount Rates and Benefit-Cost Ratios
  - (4) Funding Ceilings and Levels
  - (5) Priorities and Balance
  - (6) New and Ongoing Requirements
  - (7) OMB and OASA(CW) Guidance
  - (8) EC Guidance

TIME ALLOTTED: 1 1/4 hours, including time for questions and answers.

HANDOUTS:

H 5-1 Extract from Civil Works Program Development Guidance Circular (Program EC)

H 5-2 Example of Appropriation Account activities for which program development guidance is provided in the Program EC

H 5-3 OMB Guidance Letter to ASA(CW)

REFERENCES:

Annual Program EC published by CECW-B

## DETAILED OUTLINE

### A. INTRODUCTION

1. Objective. To discuss program development concepts and general guidance for identifying work requirements and quantifying resources for programs that are balanced, justified, prioritized, and consistent with funding and manpower ceilings and other constraints.

2. Concerns.

- a. Ongoing versus new programs.
- b. Program balance by major subprogram.
- c. Authorities and policies.

### B. FEDERAL BUDGET

1. Functional structure.

- a. Currently, 19 functions.
- b. Army's civil program is in Natural Resources and Environment function, Water Resources subfunction.
- c. Competition for funds.
  - Among functions within spending categories.
  - Among agencies within functions.

2. Deficit control

- a. Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings), as amended by the Budget Enforcement Act of 1997.
- b. Limited deficit for 1991-1995.
  - Set targets for each year.
  - Set allowable margins above targets (none in 1992 and 1993, \$15 billion in 1994 and 1995).
- c. Two types of spending:
  - Mandatory (directed by authorizing laws).
  - Discretionary (controlled by appropriations acts).
- d. Most spending for Civil Works program is discretionary. Most of this is domestic; the balance is defense.

C. COST ESTIMATES

1. Two types:
  - a. For feasibility studies.
  - b. For construction (based on M-CACES).
2. Basis for cost-sharing.
3. Preparation.
  - a. First step in program development.
  - b. Prepared for all "active" studies and projects.
    - Detail to feature and subfeature.
    - Changes from prior estimates are justified.
4. Responsibilities.
  - a. Districts prepare and update as required, but at least annually.
  - b. Divisions approve or submit to HQUSACE in accordance with annual program EC.
5. Considerations.
  - a. Actual vs. estimated costs.
  - b. Latest 1 October prices.
    - Regional vs national indices.
    - Types of work.
    - Recent awards.
    - Land values.
  - c. Reasonably certain modifications and changes in scope

D. INFLATION THROUGH THE CONSTRUCTION PERIOD

1. All cost estimates include inflation allowances.
2. Method of computation.
  - a. Actual costs to date, including those for awarded contracts, are fixed.
  - b. Costs of future contracts are inflated through specified periods using:
    - Prescribed inflation rates.

-- Time to midpoint of contract period.

E. DISCOUNT RATES

1. Applicable rate.

a. Fixed at time of first appropriation for construction.

b. Grandfather clause.

-- Sec. 80(b) of the Water Resources Development Act of 1974 (P.L. 93-251)

-- Discount rate fixed at time local support confirmed, if before 31 December 1969.

c. If neither of the above apply, use current rate.

2. Current rate.

a. Determined by U.S. Treasury Department.

b. Change limited to percent (0.0025) per year.

c. Used as test for investment worthiness and for prioritization.

3. "7 Percent."

a. Rate used government-wide as test for investment worthiness (OMB Circular A-94).

b. Reflects the average real pre-tax rate of return on investments in private sector.

c. Lower than the current rate due to the % limit on changes to the current rate.

F. BENEFIT-COST RATIOS

1. Types.

a. Total benefits - total costs.

b. Remaining benefits - remaining costs.

2. Use.

a. Justification.

b. Relative worth.

c. Investment decisions.

G. DEVELOPMENT OF CORPS PROGRAM

1. Program elements (subprograms).

2. Activities by appropriation account.

3. Funding level(s) for individual studies, projects, and activities.

4. Expected output by subprogram and individual studies, projects, and activities.

#### H. PROCESS

1. Review "baseline level funding" for each program element.

2. Develop and maintain a balanced program.

a. Balance among major subprograms.

b. Balanced mix of ongoing and new work.

-- Continue ongoing activities as long as they remain justified.

-- New activities require resources in future, but can be deferred.

3. Compare resource requirements with OMB ceilings.

a. For Civil Works program.

b. For subprograms and appropriation accounts.

4. Key subprograms.

a. Determine alternative funding levels to be considered.

-- Subprograms with large dollar requirements.

-- Projects and studies of high interest.

b. Determine work items to be included in funding increments.

5. Review and compare tradeoffs for subprogram increments.

6. Determine recommended funding level by subprogram.

a. Allowance.

b. Other requests.

#### I. PRIORITIES

1. Based on Administration, Congressional, and agency policies.

2. Projects providing for commercial navigation and nationally significant flood damage prevention may include municipal and industrial (M&I) water supply and hydropower outputs.

3. Mitigation of loss or restoration and protection of environmental resources.

4. Operating viable existing projects.

5. Preserving existing infrastructure.

J. OMB GUIDANCE

1. OMB Circular A-11, Preparation and Submission of Budget Estimates.

a. Issued annually, usually in July.

b. General policy, for example:

-- Budget submission structure.

-- Pay increases.

c. Submission dates.

d. Data required.

e. Formats.

2. Additional specific guidance.

3. Civil Works program resource ceilings.

a. Budget authority and outlays.

-- For program year and outyears.

-- By appropriation title.

b. Civil manpower ceilings in full-time equivalent workyears (FTEs).

-- Current year.

-- Program year and outyears.

c. Continual update of guidance.

-- OMB letter on ceilings (February).

-- Supplemental OMB letters (July/August).

-- For program submission (August).

-- OMB passback (November).

-- Reclama and President's program (December).





- d. Reasons for change.
  - Economic stimulus and employment.
  - New legislation.
  - Pay increases.
  - Prior/current year accomplishments.
  - New starts.
  - Balance budget.
  - Full funding.
  - Tax and revenue policies.
  - Reduce inflation.

K. OASA(CW) GUIDANCE

- 1. Policy.
- 2. Program priorities.
- 3. Provided by memorandum and oral guidance.

L. HQUSACE GUIDANCE

- 1. Annual program EC issued in early Spring.
- 2. Specific guidance for field submission.
  - a. Appendices by appropriation title.
    - General Investigations (96X3121).
    - Construction, General (96X3122).
    - Operation and Maintenance, General (96X3123).
    - General Expenses (96X3124).
    - Flood Control and Coastal Emergencies (96X3125).
    - Regulatory Program (96X3126).
    - Revolving Fund (96X4902): Plant Replacement and Improvement Program (PRIP).
    - Formerly Utilized Sites Remedial Action Program (FUSRAP) (96X3130).

Note: Features of the Flood Control, Mississippi River and Tributaries (96X3112) appropriation are covered by the above appendices, as appropriate.

- b. By program element.
    - Studies, projects, and activities are covered in subsections of appendixes.
    - Excludes research and development (R&D) and most activities within collection and study of basic data.
  - c. Automation costs.
3. Funding levels.
- a. For each activity or program.
  - b. Based on prioritization criteria.
4. General Program Year guidance.
- a. Cost estimates.
    - Price level.
    - Salary adjustments.
  - b. Discount rate.
  - c. National program priorities.
  - d. Baseline level amounts for some activities.
  - e. Assumptions for Current Year funding.
5. Guidance on submissions to HQUSACE.
- a. Suspense dates.
  - b. Materials.
  - c. Formats.
  - d. Modes of submission.
    - Automated Management Information Systems. Separate instructions in PRISM Users Manual and O&M Automated Budget System Manual.
    - Transmission by Electronic Mail.
    - Hard copy.
  - e. Information must be accurate, adequate, and timely.
  - f. Use of Management Control Checklist during development of program submission by Divisions and Districts (published in annual program EC).

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31 March 2001

CECW-B

DEPARTMENT OF THE ARMY  
U. S. Army Corps of Engineers  
Washington, D. C. 20314-1000

Circular

No. 11-2-181

31 March 2001

EXPIRES 31 MARCH 2002

Army Programs

CORPS OF ENGINEERS CIVIL WORKS DIRECT PROGRAM  
PROGRAM DEVELOPMENT GUIDANCE  
FISCAL YEAR 2003

**1. Purpose.** This Engineer Circular (EC) provides guidance for development and submission of the Corps of Engineers direct Civil Works Program for Fiscal Year 2002<sub>3</sub> (FY02<sub>3</sub>) and appropriate outyear periods. For programs with studies and projects, i. e., the General Investment (GI); Construction, General (CG); Operation and Maintenance, General (O&M); and Flood Control, Mississippi River and Tributaries project (MR&T) programs; and Formerly Utilized Sites Remediation Program (FUSRAP), the total period is ten years. For programs of an administrative nature, i. e., the General Investment, General Flood Control and Coastal Emergencies (FC&C), River and Harbor (R&H), and Plant Replacement and Improvement Program (PRI) part of the Revolving Fund (RF), the total periods are shorter. Specifically excluded from coverage are most research and development activities, including RF activities (excepting PRI activities), and mandatory activities, such as those funded by Permanent Appropriations (PA), ~~and activities funded by the Coastal Wetlands Restoration Trust Fund (CWRTF).~~

**2. Applicability.** This EC applies to all headquarters elements, major subordinate commands (MSCs) districts, and field support activities having Civil Works Program responsibilities.

### 3. References.

a. Budget of the United States Government, Fiscal Year 2001~~2~~, Analytical Perspectives

b. ~~Web site, <http://155.75.78.40/acrobat.htm>, subject: Adobe Acrobat program package and instructions for downloading to personal computers.~~ Budget of the United States Government, Fiscal Year 2002, Appendix

c. PL 84-99	v. ER 11-2-220
d. PL 92-500	w. ER 11-2-240
e. PL 97-348	x. ER 11-2-290
f. PL 99-662	y. ER 25-1-2
g. PL 101-508	z. ER 37-2-10
h. PL 101-591	aa. ER 1105-2-100
i. PL 101-601	bb. ER 1110-1-8156
j. PL 102-580	cc. ER 1110-2-100
k. PL 103-62	dd. ER 1110-2-1302
l. EO 11514	ee. ER 1130-2-500
m. EO 12088	ff. ER 1130-2-510
n. EO 12512	gg. ER 1130-2-540
o. EO 12856	hh. ER 1130-2-119
p. EO 12893	ii. ER 1165-2-131
q. EO 12906	jj. ER 1165-2-400
r. OMB Circular A-11	kk. ER 11-1-12
s. EM 1110-1-2909	ll. EC 25-1-276
t. ER 5-1-11	mm. EP 1130-2-500
u. ER 11-1-320	

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This EC supersedes EC 11-2-1779, dated 31 Mar 9900.

**4. Distribution.** This information is approved for public release. Distribution is unlimited.

**5. Conventions.** The following designations are used for selected one-year periods:

CCY = current calendar year  
 CFY = current fiscal year (extending from 1 October CCY to 30 September CCY+1 before 1 January, latest, and 1 October CCY-1 to 30 September CCY thereafter)  
 PY = program year (CFY+2 before 1 October, next, and CFY+1 thereafter) = FY023  
 PY - 1 = one year before PY = FY012  
 PY - 2 = two years before PY (CFY before 1 October, next, and CFY+1 thereafter) = FY001  
 PY - 3 = three years before PY (CFY-1 before 1 October, next, and CFY+2 thereafter) = FY990  
 PY + N = program year plus N calendar years.

Note that 1 October of PY is 1 October of CFY until 1 January, next, when it becomes 1 October of CFY+1.

## **6. Program Development.**

### **a. Government Performance and Results Act Guidance.**

(1) **Guidance Development Status.** Reference k, the Government Performance and Results Act of 1993 (GPRA), requires that agencies develop strategic plans and annual performance plans and reports. Strategic plans are to cover a 5-year planning horizon beyond the program year and be updated every 3 years. Statutory requirements of GPRA apply at the Department of Defense level. But, as a matter of policy, the Office of Management and Budget (OMB) requires that the Corps' Civil Works Program comply with the requirements. GPRA stipulates that a consultation process with OMB and Congress must be completed before submission of any such strategic plan. Strategic Plans were submitted through OMB to Congress in August 1997 and again in March 1998. Consensus and agreement were not achieved among the Corps, OMB, and Congress on those two submissions. In August 1999 the Assistant Secretary of Army for Civil Works and the Chief of Engineers agreed on need to develop a new Civil Works Program Strategic Plan. Completion of the new plan is not expected until late in 2000; not in time to influence initial formulation of the FY02 program to be submitted to OMB in

August. Implications of completing the plan later in the FY02 program development process will be worked out as coordination of the plan with OMB and Congress is accomplished.

(2) **Initial Guidance.** Appendix C provides guidance for program development for six business functions within the Civil Works Operations and Maintenance, General, Program (Navigation, Flood Damage Reduction, Hydropower, Environmental Stewardship, Recreation and National Emergency Preparedness Programs). The O&M organization successfully completed a results-oriented business program restructuring in 1996 as a Pilot GPRA Project for OMB. It is continuing to apply that structure for FY 2002 budget development.

#### b. Presidential Policy.

(1) OMB maintains 10-year planning estimates, or ceilings, for each appropriation account of the Civil Works Program. The ceilings reflect long-term needs of the President's policies for the various programs, project activities funded by each account, and serve as benchmarks for use in evaluating Congressional actions. The ceilings approximate the implementation life of projects from start to finish, and accommodates adequate definition of project resource requirements. These ceilings are set in whole or in part, for all accounts in the appendices of the program.

(2) Economic assumptions underlying Presidential policy of reference a are reflected in Table 1. These assumptions, along with related assumptions and data, are shown for PY-1 through PY+19. The assumptions and related data cover base rates for federal civilian permanent workers, reflecting pay and burden factors; pay raises for these workers applicable to both changing and fixed base rates; and inflation for "goods and services" of federal civilian temporary and nonfederal workers, and nonpay items.

(a) Base rates (against which pay raises apply) reflect assumed pre-raise pay and burden rates. Pre-raise pay rates are 1.000, by definition, for regular pay, and assumed to be 0.02 for awards. Assumed burden rates reflect assumed government contributions for worker benefits. The rates comprise two parts - one part for government contributions under the Civil Service Retirement System (CSRS); the other, under the Federal Employee Retirement System (FERS). The first part (including contributions for retirement, health insurance, Medicare, and life insurance) is shrinking, while

the second part (including contributions for regular, "Thrift Savings," and Old Age Survivors Disability Insurance (OASDI) retirement; health insurance; Medicare; and life insurance) is growing. This results from permanent force "attrition" and subsequent "turnover" through the hiring of more workers under FERS than under CSRS. With an annual permanent force attrition of 7 - 8% and associated turnover initially representing a considerable share of that, the CSRS part is expected to become negligible by FY20. Class 1 "updating factors" reflect the year-over-year change in base (resulting from change in burden), the associated year-over-year raises, and whatever raise absorption may pertain.

(b) Presidential policy pay raise assumptions for federal civilian permanent workers are shown in reference b, Table 1-1, entitled "Economic Assumptions." Assumed pay raise rates include base and locality components. (The base component is different from the base rate, discussed above, against which the base component applies.) Base components, reflecting the Employment Cost Index (ECI), apply nationally. Locality components, reflecting conditions of local markets, apply locally. Allocation of pay raise rates to base and locality components is based on the number and distribution of workers eligible for locality pay. For PY-2, the national allocation for base components was 0.038 and 0.01, or 8679% and 1421% of the total raise rate. The national allocation for PY-1 was 0.048 and 0.01, or 8679% and 1421% of the total raise rate. Therefore, the composite raise rate is used for reference. Class 1 rates in Table 1 are based on composite raise rates for 1 year.

(c) Presidential policy inflation rates reflect assumed price increases for "goods and services" of temporary federal and nonfederal workers, and for nonpay items. The Budget Enforcement Act of 1997, PL 105-33, requires that the Gross Domestic Product (GDP) fixed weight year-over-year rates be used to develop "baseline estimates" reflecting, instead of Presidential policy, continued operations under current law and current year appropriations. (The baseline program based on these estimates is discussed in OMB's Circular A-11, reference s.) At the recommendation of OMB, "Federal Nondefense Nonresidential Structure Construction" rates were used as Class 2 rates of Table 1. Class 2 "updating factors" reflect the year-over-year inflation and whatever inflation absorption may pertain.

### c. Army Policy.

(1) All program support materials and documents will adhere to

Army policy. Purposes to be considered include commercial navigation, flood damage reduction, including hurricane and storm damage reduction, and the restoration and protection of environmental resources, including fish and wildlife habitat, i. e., inland and coastal wetlands, other aquatic and riparian habitat, and upland habitat. Hydropower and/or municipal or industrial water supply may be included only if provided in conjunction with commercial navigation or flood damage reduction.

(2) Programs for the MR&T account will be developed in accordance with guidance provided for comparable programs of other accounts.

(3) For specifically authorized studies and projects the emphasis in the 10-year program is on maintaining continuity in the workflow once a new start decision has been made. In general, there are only two new start decision points for all Army proposed cost-shared projects - initiation of the reconnaissance phase study and project construction.

(4) Once the reconnaissance study is completed and the feasibility phase study has been initiated, follow-on work will be treated as continuing effort until a construction start decision is made. If the project is reviewed by Army or subject to efficiencies and cost sharing, a new start review and approval is needed from Construction Engineering and Design (PED), and initiation of construction.

(5) Recommended new starts for major rehabilitation and dredged material disposal facilities projects will be included under the CG and MR&T accounts, and are discussed in Subappendix B-2. This emphasizes the importance of caring for existing facilities and that other types of new construction starts must compete with such projects for scarce resources in the future. Major rehabilitation and dredged material disposal facilities projects new starts will be characterized as construction-type new starts in testimony, press releases, and other communications. Ongoing major rehabilitation projects initiated between FY85 and FY91 will continue to be funded until fiscally complete under the O&M account. Program submission for these projects will be in accordance with procedures for continuing work in Subappendix C-2.

(6) The extent to which a study, project, or activity contributes to restoration or protection of environmental resources will influence the ranking of new start candidates, along with such other criteria as economics, engineering considerations, and



sponsor support. Justified mitigation, restoration, and protection activities, fitting the definitions in Table 3 for these three categories, may be programmed. Consistent with the Water Resources Development Act of 1996 (WRDA 96), proposals for restoration and protection generally require 35% local cost sharing in the implementation and full nonfederal operation and maintenance of the completed work. Justified mitigation measures will be cost shared to the same degree that other project costs are shared or reimbursed. The fish and wildlife restoration initiative does not change the formulation, justification, or cost sharing for mitigation in implementing a water resources development projects.

(7) A complete and reliable Micro-computer Assisted Cost Estimating System (M-CACES) baseline cost estimate and realistic workflow and funding schedule are essential to preparing a 10-year program. Projections of work and funding requirements will be based on the schedule last presented to Congress, extended as necessary by the project manager to include initiation and/or completion of construction. Such schedule extensions will reflect realistic expectations of the sponsor's financial capability. The funding schedules should be reviewed and adjusted continuously to reflect Congressional action, the sponsor's financial capability, and project progress.

#### c. **Alternative Multiyear Programs**

(1) OMB ceilings reflect inter- and intra-agency 10-year program from a national perspective. However, agencies may recommend its own program within the ceiling of the Civil Works Program and, therefore, still generally consistent with that perspective. To this end, it can select alternative work mixes and associated funding levels, by account, that best meet scheduled commitments, program priorities, and capabilities. Emphasis or de-emphasis of programs, projects, and activities should always provide for the most efficient and productive use of funds, with focus on work flow and physical progress.

(2) In the interest of developing an optimum Civil Works Program, each MSC must develop at least two alternative multiyear programs - a "baseline program," based on Presidential policy and a "capability program," based on capability-level production.

(a) **Baseline Program.** For each account, each MSC must develop a realistic, multiyear program reflecting PY-2 work allowances and projected current year appropriations; fitting within the OMB 10-

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year planning ceiling; and meeting further requirements for program formulation presented in the appendix covering the account. Absent Congressional action on PY-1 appropriations, assume that the President's PY-1 program will be enacted and that funds will be

appropriated and made available by 1 October of the current year. (Note that this is not the same baseline program represented by "baseline estimates" required by reference h, and discussed in reference s.)

(b) **Capability Program.** For each of its GI, CG, and MR&T accounts, as applicable, each MSC must develop a realistic multiyear program reflecting PY-2 work allowances and capability-level production. Additional new starts, non-cost-shared elements of studies and projects, separable elements, and restudies should be considered for this program. Any proposal to advance the latest schedule submitted to Congress for a particular study, project, or activity should be specifically identified. Supporting data should justify the need for the increase(s). Program year funding amounts for studies and projects of this program will be approved as program year capability amounts.

## 7. Cost Estimates.

a. **Economic Assumptions.** As explained above, the Administration's economic assumptions address inflation and adjustments through PY+1. Table 1 provides cost estimate updating rates based on these assumptions extrapolated through PY+19. These rates may be extended beyond PY+19 using the procedures described in Footnote 1 to the table. They are used, as explained below, to update all study and project cost estimates.

b. **Updating.** As shown in Table 1, all costs of Corps work are grouped into just two "classes" - Class 1 and Class 2. Class 1 includes only costs of Corps civilian permanent workers. Class 2 includes all other costs, including costs of Corps civilian temporary workers. Each class has its own set of rates for cost estimate updating. Nevertheless, each set is used in the very same way - through execution of the "algorithm" described in the table. The two cost classes and their rates are discussed next.

(1) **Corps Civilian Permanent Worker Cost.** The Class 1 rates in Table 1 are applicable to the PY-1 pay raise base. They derive from "updating factors" incorporating effects of then-year pay raises and a changing pay raise base. The pay raises reflect standard nationwide pay raises and locality pay increments. The breakdown between the two is based on local pay gaps and must be determined each year. Use these rates to update Corps civilian permanent worker cost estimates for all programmed work of all studies, projects, and activities.

(2) **Corps Civilian Temporary and NonCorps Worker and Nonpay Cost.** The Class 2 rates of Table 1 are applicable to the PY-1 base of all costs other than those for Corps civilian permanent workers, ranging from costs of Corps civilian temporary workers, and consultants and AEs used in the various preconstruction planning and construction stages of work, to real estate costs. They derive from "updating factors" reflecting standard nationwide inflation. Use these rates to update Corps civilian temporary and nonCorps worker and nonpay cost estimates for all programmed work of all studies, projects, and activities.

## 8. Project Economics.

a. **Discount Rates.** A discount rate of ~~6-7/86~~ 5/8% will be used to determine the "current" economics of any project. For projects funded for construction projects, the "applicable" rate is the one in effect when construction funds were first appropriated. For projects never funded for construction, the applicable rate is the "current" rate, unless the project qualifies for the 3 1/4% rate under the "grandfather" clause of Section 80 of the 1974 Water Resource Development Act. Executive Order 12893, "Principles for Federal Infrastructure Investment," requires that benefits, costs, and benefit-cost ratios for new infrastructure investments of all federal agencies be evaluated using a discount rate of 7% to facilitate comparison and consistency. This rate approximates the average real pretax return on capital in the private sector. The Corps' new infrastructure investments include new start regular construction projects, resummptions, unstated projects, unstated separable elements, and reconstruction projects.

### b. Evaluation.

(1) As required, in support of funding requests, benefit-cost ratios will be evaluated based on the benefits in the latest approved official document, such as a Feasibility Report, Chief of Engineers Report, Limited or General Reevaluation Report (LRR or GRR), Engineering Documentation Report (EDR), or other report. In computing BCRs, deflate the current project costs to the price levels of such benefits.

(a) **New Start and Continuing PED Projects.** For new start PED projects, the fiscal year of the approval date of the latest economic analysis must not precede the fiscal year of the MSC program submission by more than 3 years. For example, for any new

PED project recommended in your June submission, the approval date of the document containing the most recent economic analysis can be no earlier than 1 October CCY-4 - the first day of PY-5, which year precedes the fiscal year of your submission by 3 years. If the fiscal year of the approval date is more than 3 years ago, you must perform a reevaluation to show that the project remains justified.

Such reevaluation will be the first item of work upon receipt of funds and will be documented in an LRR to be submitted in support of any request for follow-on funding. The reevaluation will involve no major new analysis. It will be limited to reviewing and updating previous assumptions and limited surveying, sampling, and application of other techniques to develop a reasonable estimate of project benefits. For any continuing PED project, in order to assure currency of economic justification and sponsor acceptance, the fiscal year of the date of the latest approved economic analysis, or update, must not precede the fiscal year of the MSC submission by more than 3 years. Provided updates are performed in accordance with the plan in the feasibility report and/or the Project Management Plan, MSCs may approve them.

(b) **New Start Construction Projects.** For any project or element proposed as a new construction start, the fiscal year of the approval date of the latest economic analysis must not precede the fiscal year of the submission by more than 3 years. For example, for a new construction project or element in your initial submission, the approval date of the document containing the most recent economic analysis can be no earlier than 1 October CCY-4 - the first day of PY-5, which year precedes the fiscal year of your submission by 3 years. If the fiscal year of the approval date is more than 3 years ago, you must perform a reevaluation to show that the project remains justified. Such reevaluation will be the first item of work upon receipt of funds and will be documented in an LRR to be submitted in support of any request for follow-on funding. The reevaluation will involve no major new analysis. It will be limited to reviewing and updating previous assumptions and limited surveying, sampling, and application of other techniques to develop a reasonable estimate of project benefits. If the limited reevaluation uncovers major changes that could affect project formulation or sizing, then additional PED rather than construction funds must be requested to undertake a complete GRR.

(2) MSCs have approval authority for all LRRs and all other post-authorization documents for projects not requiring additional Congressional authorization and for which total federal costs do

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not exceed \$15 million. GRRs and GDMs for projects with total federal costs exceeding \$15 million must be approved by headquarters, U. S. Army Corps of Engineers (HQUSACE) (ATTN: CECW-P).

## GENERAL INVESTIGATIONS

A-1.1.1. **Applicability.** This appendix provides Program guidance and procedures for all activities in the General Investigations (GI) appropriation title and comparable ones from the Flood Control, Mississippi River and Tributaries (MR&T) appropriation title, where appropriate. A listing of all GI activities follows. MR&T activities are listed only when applicable. The list identifies the location of guidance within this appendix for each Category/Class/Subclass and categorizes the responses that Divisions are required to make by this EC.

Activity	Category/ Class/ Subclass		Guidance Provided in Subappendix	Division Response (Yes or No)
	GI	MR&T		
Navigation Studies	901-110			
Navigation - Reconnaissance	-111	908-111	A-2	Yes
Navigation - Feasibility	-112	-112	A-2	Yes
Flood Damage Prevention Studies	-120			
Flood Damage Prevention - Recon	-121	-113	A-2	Yes
Flood Damage Prevention - Feas	-122	-114	A-2	Yes
Shoreline Protection Studies	-123			
Shoreline Protection - Recon	-124		A-2	Yes
Shoreline Protection - Feas	-125		A-2	Yes
Special Studies	-130			
Special - Reconnaissance	-131			Yes
Special - Feasibility	-142			Yes
Watershed/Ecosystem - Recon	-143		A-2	Yes
Watershed/Ecosystem - Feas	-144		A-2	Yes
Comprehensive Studies	-150			
Comprehensive - Recon	-151	-117	A-2	Yes
Comprehensive - Feasibility	-152	-118	A-2	Yes
Review of Authorized Projects	-160			
Review of Deferred - Recon	-161		A-2	Yes
Review of Deferred - Feasibility	-162		A-2	Yes
Review of Completed - Recon	-163		A-2	Yes
Review of Completed - Feasibility	-164		A-2	Yes
Review of Marginal O&M Projects	-166		NA	No
Review of Local Protection Projects	-167		NA	No
Drought Contingency Planning	-168		NA	No
Special Investigations	-171		A-3	Yes
FERC Licensing Activities	-172		A-3	Yes

**B-1.1. Appropriation Title.** This appendix provides guidance for preparation of the program request for all new and continuing activities under the appropriation titles Construction, General (CG), including the Inland Waterways Trust Fund (IWTF) and Harbor Services Fund (HSF), as applicable, and Flood Control, Mississippi River and Tributaries for a ten year period, PY through PY+9.

**B-1.2. Activities Included.**

Activity	Category, Class, Subclass, Code	Guidance Provided in Subappendix Number
Construction, General Appropriation		
Navigation		
Channels and Harbors		
Projects Specifically Authorized by Congress	211	B-2
Dredged Material Disposal	212	B-2
Projects Not Specifically Authorized by Congress (Section 107 1960 Act and Modifications)	216	B-3
Debris Removal	217	Program not active
Locks and Dams	226	B-2
Mitigation of Shore Damages Attributable to Navigation Projects (Section 111, 1968 Act)		
Projects Specifically Authorized by Congress	231	B-2
Projects Not Specifically Authorized by Congress	232	B-3



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EC 11-2-181

31 March 2001

C-1.1. **Appropriation Title.** This appendix provides guidance for preparation of the program request for all Operation and Maintenance activities under the appropriation titles: Operation and Maintenance, General (O&M) and Flood Control, Mississippi River and Tributaries, Maintenance (MR&T) for the Program Fiscal Year.

### C-1.2. **Activities Included.**

<u>Activities</u>	<u>Category/Class/ Subclass Code</u>		<u>Guidance Provided in Subappendix Number</u>
	<u>O&amp;M</u> (903)	<u>MR&amp;T</u> (908)	
Navigation	100	410	C-2
Channels & Harbors	110		C-2
Locks and Dams	120		C-2
Flood Control	200	420	C-2
Reservoirs			C-2
Channel Improvements, Inspections And Miscellaneous Maintenance			C-2
Multiple Purpose Power	300		C-2
Protection of Navigation	400		C-2
National Emergency Preparedness Program	500		C-3
Recreation Facilities at Completed Projects	710		C-4

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EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

May 27, 1999

THE DIRECTOR

The Honorable Joseph Westphal  
Assistant Secretary of the  
Army for Civil Works  
Pentagon - Room 2E570  
Washington, D.C. 20310-0108

Dear Dr. Westphal:

It is time to begin the planning process for the President's FY 2001 Budget. In many respects, the FY 2001 Budget will continue to build on objectives and policies from the FY 2000 Budget, including agency performance objectives, the President's management objectives, and proposed funding levels. Our mutual objective is to integrate priority management and program issues into the FY 2001 budget planning process and to maximize the effectiveness of agency spending. To achieve this, we have several suggestions and requests for your agency, as outlined below.

WC have identified a number of issues that need work by your agency and OMB staff in advance of the Fall budget process. A brief description of each issue follows. My staff will contact your lead budget officials to establish how these will be addressed so that analysis is available on which you can base your recommendations and we can base our review.

- **Mississippi River and Tributaries (MR&T) Program:** As we agreed during discussions on the FY 2000 Budget, we would like to evaluate with the Army Corps the procedures it uses to determine how large a share of its budget to propose for the MR&T program and how to allocate these resources among the many flood control and other projects in the MR&T program. During the development of the FY 2000 Budget, for example, it was not clear what criteria the Army Corps used to establish priorities among the many potential levee projects along the mainstem of the Mississippi River and in the Atchafalaya River basin. Based on that experience and subsequent discussions with the Mississippi congressional delegation and program stakeholders, we believe the program would benefit if funding decisions were guided by a ranking of these projects that reflects objective factors such as public health and safety risks and engineering priorities. We envision both a near-term effort to be completed prior to decisions on the FY 2001 Budget and a longer-term effort that will provide data to inform future funding decisions by the Administration and Congress. As a first step, we would like to meet with the Army Corps in the next few weeks to establish a workplan and schedule for this effort.
- **Operation and Maintenance Program:** OMB is concerned that the last several budget requests for the operation and maintenance program have described growing backlogs, but included only limited discussion and justification for this backlog. We would like to

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work with the Army Corps over the next several months to develop a clearer definition of what should be included in such a "backlog" so it is more useful in determining the appropriate level of funding for these activities. The Corps' estimate of its backlog should reflect those reductions in the backlog due to funding increases in the FY 2000 Budget and exclude any maintenance work that is beyond the ability of the district to execute. In addition, you should include in your submission a description of the status of the Operation and Maintenance Cost Savings Initiative and how the savings from this initiative are reflected in your budget request (including identifying dates when cost-savings will be realized).

- Everglades and California **Bay-Delta Restoration**: As part of its FY 2001 Budget process, OMB will again review funding across agencies for activities related to restoration of the Florida Everglades and the California Bay-Delta. We request that your budget submission separately identify funding for each of these efforts. For Everglades restoration activities, please identify funding in the same format used in the annual Everglades Crosscut Budget. Please indicate the amounts you plan to request in FY 2001 for (1) "baseline" programs that support the Everglades restoration effort and (2) new projects or programs that will support the Everglades effort. Please also include any changes in requested funding levels from the FY 2000 request and provide the reasons for these changes. For California Bay-Delta restoration, please indicate the amounts requested for: (1) participation in CALFED planning and coordination; (2) "baseline" programs (activities underway prior to enactment of the Bay-Delta Act) that support each of the CALFED program elements (ecosystem restoration, water quality, water use efficiency, water transfers, levees, watershed improvements, storage and conveyance); and (3) new projects or programs related to FY 2001 implementation of CALFED programmatic recommendations.

Second, this Spring OMB and the agencies will continue discussing ways for improving the annual performance plans, prior to their submission in September. While the strategic plans need not be submitted until September 2000, we are encouraging agencies to get an early start on the required consultation and outreach. Therefore, agencies should submit first drafts of revised strategic plans in September along with their budget submissions. We are ready to begin discussions on changes and improvements to your strategic plan as well. Areas of particular focus include: (1) better alignment of resources with performance goals; (2) more specific definition of steps that would be taken to achieve the performance goals, i.e., means and strategies; and, (3) better cross-agency correlation of performance goals for cross-cutting programs.

The President's policy for non-defense discretionary spending, as it is stated in the FY 2000 Budget, continues the Budget Enforcement Act caps through FY 2002, pending Social Security reform. The Administration's framework for Social Security reform calls for the discretionary caps to be increased to continue the FY 2000 funding levels and to provide a limited reserve for initiatives. As you know, the framework calls for this increase in the discretionary caps provided Social Security is addressed first. Your budget submissions for FY

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200 1 should be **developed** in the context of this policy and should include alternative proposals based on the following three scenarios:

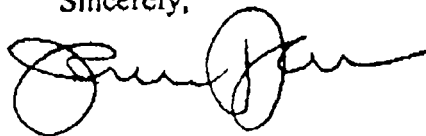
- A freeze at the FY 2000 Budget request, **or** the enacted **funding** level, if passed before the agency budget request **is** submitted.
- Cuts below a **freeze** equal to two percent of FY 2000, prioritized from easiest to most difficult to achieve.
- Program initiatives or expansion of base programs above a **freeze**, prioritized from most significant to least significant.

You should **assume** that the principal and most likely scenario is the first one. As such, **most of your efforts should be targeted to tailoring your request to that presumed requirement.** We were disappointed **that** last year **the** Army Corps of Engineers did not submit a budget at the FY 2000 guidance level until very late in the FY 2000 Budget review process. We urge you to **ensure that** your initial budget submission to **OMB** adequately covers **the** three scenarios outlined above. You should be prepared to identify and describe the effect on FY 2001 program performance goals of any resource reductions or increases from your FY 2000 levels.

We believe the allocation of resources for FY 2001 should generally **be consistent** with **the decisions** made during the FY 2000 **process**, which include: (1) give funding **priority** to activities needed for **prudent** management **of** existing facilities; (2) avoid delays of ongoing projects that are Administration priorities; (3) restrict new construction starts to those limited **number** of projects needed to address critical problems; and (4) align activities and funding in the planning program with expected future resources likely to be available for **construction** activities. Your submission should assume enactment of the Harbor Services Fund proposal.

OMB staff will be working **with** your agency to **address** the **ideas** presented in this letter. Our goal is to ensure that the open issues **from the FY 2000 Budget** and the **new** issues for the FY 2001 Budget **receive** appropriate analytical attention.

Sincerely,



Jacob J. Lew

Director

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